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IMPLEMENTATION OF THE UNITED NATIONS NEW AGENDA FOR THE DEVELOPMENT OF AFRICA IN THE 1990s

Report of the Secretary-General

Addendum

Estimates of projected resource requirements

SUMMARY

The present document was prepared by the Economic Commission for Africa pursuant to General Assembly resolution 50/160 A of 22 December 1995 and contains estimates of the projected resource requirements from all sources needed for the full implementation of the New Agenda and the assessment of the actual mobilization of resources for the period 1992-1995.

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I. INTRODUCTION

1. In the early 1990s, the majority of African countries continued to suffer from structural weaknesses and the region's economic crisis was not being alleviated. Far from improving the socio-economic conditions and overall living standards of Africans, the situation deteriorated. To address this bleak outlook, the General Assembly, in its resolution 46/151 of 18 December 1991, adopted the United Nations New Agenda for the Development of Africa in the 1990s.

2. The New Agenda set some desirable targets, the attainment of which was founded on the principles of shared responsibility and global partnership between Africa and the international community at large, including:

(a) A gross national product growth rate, in real terms, of at least 6 per cent a year, so as to double the average income per person in African countries and to impart an economic dynamism to poverty reduction over the next 20 to 25 years;

(b) A level of official development assistance of US$ 30 billion in 1992, increasing by 4 per cent a year on average over the entire programme period;

(c) Debt-servicing payments that do not exceed $9 billion annually (in 1992 dollars).

3. The figures suggested by previous studies of the African Development Bank (ADB), the World Bank and the Economic Commission for Africa (ECA) on external resource requirements for African economic recovery up to the year 2000 ranged from $50 billion to 60 billion annually (in 1992 dollars), including official development assistance inflows, loans, foreign direct investment, and debt alleviation and cancellation arrangements.

4. At the mid-point of the implementation of the New Agenda, it would be difficult to state precisely the degree to which the various set objectives have been met. None the less, a comparative analysis of the financial commitments entered into, against resources actually mobilized over the period 1992-1995, may provide insights into the level of involvement and investment by African countries and the international community in the quest for economic recovery and sustainable development.

II. FINANCIAL RESOURCES REQUIRED FOR THE IMPLEMENTATION OF THE NEW AGENDA

A. Domestic resources

5. African countries have encountered a number of difficulties over the past decade in their efforts to mobilize and deploy financial resources for economic development. Mainly because of the prevailing low rates of both public and private saving, lack of competitivity in international trade and some ill-adapted economic policies, African countries did not succeed in mobilizing

the aggregated $82.5 billion that were to come from Member States to support the implementation of the United Nations Programme of Action for African Economic Recovery and Development over the period from 1986 to 1991.

6. To address these constraints, African countries have committed themselves to implementing various measures within the context of medium- to long-term development strategies and policies. Measures taken to raise the level of savings include: (a) providing positive interest rates and better stabilization policies; (b) tighter public expenditure control mechanisms to promote public-sector savings; (c) development of long-term, high-interest savings schemes; and (d) more efficient deposit systems and structures, restructuring the main banking systems as well as encouraging the increased use of "tontine" schemes (savings mechanisms, in use in certain countries, that operate outside the mainstream banking and financial system).

7. To curb erratic fluctuations in export commodity prices and improve international market conditions for export commodities, proposed policy measures focused on: (a) commodity diversification; (b) enhancing intra-African trade; (c) pursuing existing export revenue stabilization mechanisms, such as the System of Stabilization of Export Earnings (STABEX) and the System for Stabilizing Export Earnings in the Mining Sector (SYSMIN) schemes under the Convention between the European Community and the African, Caribbean and Pacific States, and the Compensatory Financing Facility (CFF) sponsored by the International Monetary Fund (IMF).

B. Addressing the debt overhang

8. There is a strong conviction on the part of policy makers in Africa and the international community as a whole as to the urgency of the need for more imaginative strategies to scale down the continent's debt burden to manageable levels. Therefore, in accordance with the measures suggested in the New Agenda, efforts should be stepped up and refined to keep the levels of debt service payments within reasonable limits, i.e., a ceiling for the region, set at $9 billion annually.

C. Foreign aid

9. The international community has recognized that African countries are in transition and has committed itself to lending support to that process. International support in the pursuit of the objectives of the New Agenda reflects that commitment. However, given the budgetary constraints facing some of the developed countries, the clarification of foreign aid objectives, the new conditionalities governing the granting of assistance, the difficulties facing the donor countries of the Organization of Petroleum Exporting Countries (OPEC), the dismemberment of the Economic and Monetary Assistance Committee and the heightened competition among various regions for aid packages, the prospects for achieving the objective of $30 billion in official development assistance flows to Africa beginning from 1992, and an annual growth rate of official development assistance flows of 4 per cent, constitute a formidable challenge.

10. Multilateral aid, which mainly comes from funds and contributions managed by international and regional cooperation and development agencies, is essentially provided by the European Development Fund (EDF), ADB, the United Nations system and the Bretton Woods institutions. The latter have fully supported the principles enunciated by the Development Assistance Committee (DAC) and, in addition, have emphasized the need to scale back the role of the State, particularly in public enterprise and public-sector participation in virtually all sectors of the economies concerned (foreign exchange transactions, education, urban development, infrastructures and other socio-economic areas) and to give freer rein to market forces in order to achieve economic growth.

11. The ADB group, in its operational programme for the 1990s, released in 1991, outlined its programme of action for boosting economic growth and sustainable development in Africa. On the basis of a projected funds outlay of $3 billion per year, on average, throughout the 1990s, it sought to give attention to programmes and projects that contribute to poverty reduction, and to human resource development through investment in rural economic development, education and health. In addition, it reflected a major commitment to private-sector development and regional economic integration.

III. ASSESSMENT OF THE ACTUAL MOBILIZATION OF FINANCIAL RESOURCES UNDER THE IMPLEMENTATION OF THE NEW AGENDA OVER THE PERIOD 1992-1995

A. Generation and mobilization of domestic financial resources

12. Africa has shown signs of recovery over the past two years but growth has obviously been checked by the lack of a stable enabling environment for implementing economic policies, and also by the high inflation and acute budget deficit which ate up an excessive share of available national savings, reducing the resources available for investment. The savings trend and investment rates, as shown by the results of the economic reform policies undertaken by African countries, was relatively stable over the period 1990-1995 (see table 1).

13. The savings rate fell from 19.0 per cent of the gross domestic product in 1991 to 18.1 per cent in 1995. Over the same period, the investment rate rose from 21.2 to 22.4 per cent of the gross domestic product. Although the total investment reached $95 billion in 1990, it still fell short of the 25 per cent rate, which is normally the minimum level assumed to ensure Africa's economic growth and a steady growth of the standard of living per capita. This relative stability reflects various changes in the resource mobilization and allocation policies pursued by the public and private sectors in all sub-Saharan countries and Communanté financière africaine zone countries.

Table 1. Origin and use of savings (as a percentage of the gross domestic product)

	1990	1991	1992	1993	1994	1995
World						
Savings	23.0	22.6	22.0	22.0	22.9	23.4
Investment	23.8	23.5	23.3	23.3	23.7	24.0
Developing countries						
Savings	25.3	24.4	25.1	25.8	27.4	27.9
Investment	25.8	26.1	26.9	28.5	28.6	29.0
Africa						
Savings	18.6	19.0	16.7	15.1	17.4	18.1
Investment	19.3	21.2	20.9	19.6	21.1	22.4

Source: IMF, World Economic Outlook, 1996.

14. In the early 1990s, several African countries tried to control the budget deficit in a stringent manner. The deficit in sub-Saharan Africa was thus reduced, on average, from 10.6 per cent of the gross domestic product in 1989 to 6.5 per cent of the gross domestic product in 1994. 1/ Contrary to economic development and recovery goals, the reduction in the budget deficit was attained through drastic cuts in the infrastructural budget which accounted for only 25 per cent of public expenditure in 1994, as against 46 per cent of total public expenditure in 1990. The social sectors (health and education) also experienced considerable cuts. Despite the reduction of budget deficits as a percentage of the gross domestic product, public savings did not increase. In fact, public savings fell rather sharply in sub-Saharan countries from 2.6 per cent of the gross domestic product at the end of 1990 to 1.2 per cent of the gross domestic product at the end of 1993.

15. The drop in public savings was offset by private savings, which rose faster than the fall in public savings. Investments were kept in check (as a percentage of the gross domestic product) with the introduction of the incentives system and by applying tax reforms which provided for tax exemptions for the productive sectors and new investments. In 1992, Côte d'Ivoire set up a tax system reform programme to eliminate tax barriers to economic development. Botswana, Kenya, Mauritius and the United Republic of Tanzania started applying financial reforms aimed at improving private sector financial control and coordination, and stepping up and mobilizing domestic savings. 2/

16. Africa's poor financial sector did not make for the adequate fulfilment of the crucial function of savings mobilization and financial resource allocation. A smoothly run financial sector can help to bring about a more efficient allocation of real resources. 3/ The structure of the financial sector and

financial laws prevailing in several countries were reorganized and enhanced to build greater investor confidence in the financial intermediation process. Many bank-specific reform programmes were embarked upon in several countries. The means used ranged from financial repression relief (by aligning interest rates with market equilibrium levels and by cutting back on selective credit policy programmes) to restructuring and recapitalizing ailing institutions, boosting appropriate financial infrastructures for the hinterland and creating new financial instruments.

17. In addition to savings, another source of domestic resources was revenue from foreign trade. Trends in international trade have become very important to African countries. It was quite disturbing to see Africa being marginalized from the international trade arena. In the early 1990s, exports from Africa accounted for only 2 to 3 per cent of the total volume of international trade. With the exception of a few oil-exporting countries, most African countries whose main exports were agricultural produce and mineral resources experienced a serious decline in their terms of trade. Exports from Africa could not penetrate potential markets owing to obstacles placed in their way. Many products suffered and continue to suffer the adverse effects of industrialized countries' agricultural policies, which tend to depress the world market prices of food products.

18. The balance of trade plummeted from plus $4.2 billion in 1990 to minus $8.2 billion in 1994 (table 2). As spelled out in section I above, the causes for the loss in resources experienced over the past two years run counter to some of the commitments made under the New Agenda. This is because:

(a) African countries and developing countries as a whole still find it difficult to control the prices of commodities;

(b) Despite efforts deployed to invest in the various price stabilization mechanisms, including agreements to production quotas, the terms of trade could not be kept from deteriorating;

(c) The quota system with regard to access to the industrialized markets is still in place.

Table 2. African trade indicators, 1990-1995

	1990	1991	1992	1993	1994	1995
Terms of trade index	+7.3	-9.2	-4.1	-5.0	+0.5	+1.5
(1990 = 100)	100.0	90.8	87.1	82.7	83.0	86.0
Exports (US$ billions)	94.9	96.5	94.2	87.9	89.6	97.9
Imports (US$ billions)	90.7	91.7	96.5	93.5	97.8	108.9
Trade balance (US$ billions)	4.2	4.8	-2.3	-5.6	-8.2	-11.0

Source: Socio-Economic Research and Planning Division, ECA.

B. Trend of foreign direct investment in the region 4/

19. Foreign direct investment is an important development factor, in that it is accompanied by the transfer of technologies and human skills, which are not readily available in developing countries. Over the past 10 years, foreign direct investment flows soared worldwide, except in Africa.

20. Since the early 1990s, less than 2 per cent of total foreign direct investment flows worldwide have come to Africa (see table 3). The level of flow has fluctuated around $3 billion yearly. In absolute terms, this volume is comparable to that of 1985, when the economic crisis in Africa bottomed out. Foreign direct investment flows to Africa mainly concentrated on the petroleum industry which had the highest rates of return, notwithstanding the political instability, crisis and conflicts, in countries such as Angola. Nigeria and Egypt alone attracted nearly three quarters of foreign direct investment inflows to petroleum-producing countries, accounting for 40 per cent of total foreign direct investment.

21. Foreign direct investment concentration in oil-producing countries should not conceal the fact that countries such as Côte d'Ivoire, Morocco, Namibia and Swaziland have been able to attract a considerable portion of foreign direct investment since 1991. Other countries like Benin, Ethiopia and Senegal, which experienced a severe decline in foreign direct investment during the previous decade, have managed to arrest and even reverse this trend as a result of reforms and with the advent of an encouraging economic outlook. Angola, the Libyan Arab Jamahiriya and Morocco are among the countries that recently registered a significant rise in foreign direct investment and the highest gross domestic product growth rates. The monetary readjustment in CFA zone countries did little to attract more foreign direct investment flow than in previous years, although the conditions were ripe for such an increase.

22. The condition of the least developed countries with respect to foreign direct investment is today of great concern. The dire economic problems of these countries, namely, the acute debt burden, the narrow domestic market and poor infrastructures, all deter foreign investors. Besides, a significant

portion of the little foreign direct investment that Africa received was directed to only a few countries, including Zambia.

23. Apart from the petroleum sector, foreign direct investment to Africa favoured the mining and industrial sectors. To this end, African Governments have embarked strongly on rationalizing mining laws, adopting new tax regimes and the divestiture of State-owned corporations. For instance, the Ashanti Goldfields Corporation of Ghana was privatized in 1994 and similar plans are in motion for ZCCM of Zambia. With a view to maintaining foreign direct investment flow in the industrial sector to avoid disinvestment situations such as those that took place in Nigeria in 1993, new directions are being pursued in industrial strategies and policies. More simplified investment laws have been enacted and currencies have been made convertible.

24. Despite all these efforts, Africa's marginalization in terms of foreign direct investment flow is comparable to its marginalization in world trade (see table 3). This situation is particularly worrying as foreign direct investment contribution to private investment in Africa is potentially high (given the low rates of savings and investment) and foreign direct investment provides the technical skills and technologies that Africa lacks.

Table 3. Foreign direct investment in Africa, 1981-1994

(In billions of United States dollars and percentages)

	Yearly average						Total
	1981-1985	1986-1990	1991	1992	1993	1994	1991-1994
World	57.2	158.1	162.3	163.4	184.5	204.0	714.2
Developing countries	19.4	26.1	40.3	53.2	71.8	83.6	248.9
Africa	1.7	2.8	2.8	3.3	2.9	3.5	12.5
Percentage share of Africa							
World	2.9	1.8	1.7	2.0	1.6	1.7	1.8
Developing countries	8.6	10.8	7.0	6.1	4.1	4.2	5.0
Africa							
Oil exporting countries	1.4	2.0	1.8	2.3	1.8	2.3	8.2
In percentages	83.7	72.2	65.0	69.6	62.5	66.1	65.6
Others	0.3	0.8	1.0	1.0	1.1	1.2	4.3
In percentages	16.3	27.8	35.0	30.4	37.1	33.9	34.4

Source: UNCTAD, 1995.

C. Debt structure and treatment

25. The debt overhang remained one of the foremost obstacles to Africa's economic recovery and sustainable growth. While other heavily indebted regions of the world, such as Latin America, have gradually emerged from the debt crisis, Africa continues to suffer from a crushing external debt burden. This debt is, however, the lowest in volume of all developing regions, but considering it on a per capita basis and the capacity of African countries to service their debt, it is indeed the heaviest. Africa's steadily rising debt, which has accelerated over the past years, does not reflect the development of liabilities ensuing from new investments and contributions from new financial assistance. This debt results from accrued arrears and its consolidation at interest rates applicable on money markets because of the inability of most African countries to settle their debts.

26. For several years, a consensus has been reached between African countries and the international community on the fact that efforts must be made to reduce Africa's debt burden in order to release resources to be allocated to development and enable Africa to resume sustainable growth. Initiatives in this regard included: (a) programmes applicable to bilateral debt, namely the Toronto Plan, the enhanced Toronto terms, the Trinidad and Tobago initiative, the Naples agreements, all applicable within the Paris Club and the Baule and Libreville plans applied by France to French-speaking African countries; (b) bilateral and multilateral debt relief programmes (Brady and Baker plans); and (c) market initiatives to restructure private debt, namely, buy-backs, swaps, trade-offs and conversions into bonds or equity shares negotiable within the London Club.

27. The application of these initiatives since the early 1990s has had limited effects because, on the one hand, they failed to match the magnitude and intensity of the nature of the debt overhang and, on the other hand, the three major components of the debt stock have changed. Bilateral debt is constantly rising and has remained the major component of external debt. Private debt, the majority of which is owed by North Africa, has, on the whole, dropped slightly and multilateral debt, whose steady rise has made up for private debt, represents a growing proportion of the total stock of debt.

28. Bilateral debt treatment has led to the gradual institution of the Paris Club initiatives that apply, depending on the classification of the countries as middle-income, slightly indebted or heavily indebted countries. Some benefited from the Toronto or the enhanced Toronto terms, making the Paris Club assume the role of provider of financial assistance previously channelled only through cooperation agencies. In 1993, Benin, Burkina Faso and Mozambique succeeded in rescheduling and restructuring their debts under the enhanced Toronto terms. Other countries benefited from the Houston terms, the Trinidad and Tobago initiative or, from early 1995, the Naples terms which grant additional reductions to the most heavily indebted countries.

29. The application of all these initiatives has afforded to African countries temporary but not absolute relief from their bilateral debt burden. This debt, which has continued to increase considerably, has been aggravated by huge accrued arrears of debt-servicing. The Paris Club system has been amended

several times so as to make the payment of official bilateral debt increasingly flexible. Despite the introduction of greater flexibility in the Paris Club, the actual modalities have not kept the outstanding debt position from worsening, particularly because of the attendant debt-servicing burden. 5/

30. Individually, the creditor countries that are members of the Paris Club have initiated unilateral plans to reduce the bilateral debt of some countries on the continent. The Scandinavian countries have been among the first countries to do so, followed by the Federal Republic of Germany, the United Kingdom of Great Britain and Northern Ireland, Switzerland, Japan and the United States of America. After the Franco-African summit, held at Libreville in October 1992, France established an official development assistance debt conversion fund of $830 million for four middle-income countries of the CFA zone, namely: Cameroon, the Congo, Côte d'Ivoire and Gabon. The idea is to provide such relief to the countries as would cancel part of their official debt and channel the proceeds into the execution of development projects. This "novel" initiative falls within a long-term perspective since it applies not only to the principal of but also to the interest on the debt outstanding. In 1994, the United States (for the first time within the Paris Club) proposed the cancellation of $228 million, corresponding to half of the debt of the 18 poorest African countries, by extending to them the enhanced Toronto terms.

31. Successive increases in unpaid debt during the past decade have eroded the solvency of African countries and have made it difficult to attract new investments from sources other than multilateral institutions. Consequently, the share of debt-servicing owed to multilateral institutions (IMF, the World Bank and ADB) as part of total debt-servicing obligations has increased. Multilateral debt-servicing amounts (which have increased rapidly) have long outweighed the capacity of most African countries to repay and arrears continued to increase. The active search for solutions to this problem proves that there is an awareness that the multilateral debt-servicing burden raises a serious problem.

32. A debt-service refinancing process has been operated by the World Bank within what is termed the "fifth dimension", by using resources of the International Development Association (IDA) for the heavily indebted low-income countries. Furthermore, the IDA debt relief fund, established in 1989, has successfully carried out, over four years, numerous operations to forgive the debt of the poorest African countries. It succeeded in redeeming for the Niger and Mozambique early in 1992 and Uganda in 1993, at an average price of 14 cents for each face value dollar, about $385 million of overall debt (see table 4). Similar buy-back transactions were prepared in 1994 and are currently being carried out for Ethiopia, Guinea, Mali, Mauritania, the United Republic of Tanzania and Zambia. The IMF's special drawing rights (SDR) accrual approach also reflects the seriousness of the multilateral debt overhang. This is also true of the discussions currently taking place at ADB to introduce either a "fifth dimension" or a mechanism for solving the serious problem of arrears.

Table 4. Debt relief fund exclusively for IDA countries

(In millions of United States dollars)

Country and year of agreement	Cancelled principal	Buy-back price as a percentage of the face value	Cost	World Bank contribution	Grants or concessional lending by
Niger (1991)	107	18	19.3	8.42	France Switzerland
Mozambique (1991)	124	10	13.4	5.91	France Netherlands Switzerland Sweden
Uganda (1993)	153	12	18.4	9.93	Germany EEC Netherlands Sweden

Source: World Bank data.

33. Taken together, the results recorded over the past four years fail to match expectations regarding debt rescheduling with multilateral institutions. The political and economic instability prevailing in many African countries, particularly those in sub-Saharan Africa, have prevented them from implementing the needed reforms and addressing their debt problems. This has adversely affected the holding of negotiations with the Bretton Woods institutions, thereby impeding, in many cases, the conclusion of debt rescheduling agreements.

34. The commercial debt constitutes a relatively small part of Africa's total stock of debt. In recent years, the commercial banks have practically not been lending to indebted African countries. The application of the Brady Plan, which has succeeded in reducing the debt of the main debtor countries in Latin America, is encountering serious difficulties in Africa. Within the continent, only Nigeria, which owes a heavy commercial debt, has been able to benefit from the Brady Plan under the auspices of the London Club. Niger, Mozambique, Sierra Leone, Sao Tome and Principe, Uganda and Zambia have succeeded in reducing most of their commercial debt, while benefiting from other debt reduction operations (debt buy-backs, conversions into low-interest securities and bonds, debt restructuring) proposed by the London Club to heavily indebted countries.

35. In spite of the many efforts made by both the international community (through the development of new debt rescheduling initiatives) and by African countries through the acceptance of economic constraints that condition and accompany the rescheduling process, the main external debt indicators have shown no significant improvement (see table 5). The outstanding debt has continued to rise and now exceeds $310 billion in 1994 as against $300 billion in 1991,

Table 5. Africa's external debt and debt-servicing

(In billions of United States dollars)

	1991	1992	1993	1994	1995
Total external debt					
Africa's total	299.9	297.3	301.7	312.2	322.4
North Africa a/	119.5	118.0	117.9	118.5	121.9
Sub-Saharan Africa b/	163.3	162.9	169.0	177.1	182.5
South Africa	17.1	16.4	14.8	16.6	18.0
Paid debt-servicing					
Africa's total	29.7	29.0	28.3	26.3	19.0
North Africa	15.8	16.1	16.3	16.5	9.1
Sub-Saharan Africa b/	10.2	8.6	7.4	8.2	9.9
South Africa	3.7	4.3	4.6	1.6	NA
Debt-servicing due					
Africa's total	44.1	39.8	39.8	38.3	NA
North Africa	23.1	18.4	18.5	18.1	NA
Sub-Saharan Africa c/	21.0	21.4	21.3	19.3	17.7
Percentage of debt/gross domestic product ratios					
Africa's total	67.1	65.8	66.1	71.6	65.3
North Africa	66.8	67.9	62.8	65.4	72.0
Sub-Saharan Africa c/	67.3	64.2	68.5	76.0	NA
Sub-Saharan Africa b/	102.1	98.9	107.9	126.0	120.4
South Africa	15.8	14.3	13.2	14.5	13.4
Debt/exports of goods and services					
Africa's total	223.3	216.7	228.0	231.3	249.6
North Africa	222.1	210.7	215.1	223.6	265.4
Sub-Saharan Africa c/	224.1	220.8	237.2	236.2	NA
Sub-Saharan Africa b/	310.5	312.7	338.7	334.2	358.4
South Africa	61.3	56.3	51.3	55.3	55.9

	1991	1992	1993	1994	1995
Debt-servicing/exports of goods and services					
Africa's total	22.1	21.1	21.4	19.5	NA
North Africa	29.4	28.8	29.7	31.1	19.8
Sub-Saharan Africa c/	17.3	15.9	15.5	12.0	NA
Sub-Saharan Africa b/	19.4	16.5	14.8	15.5	19.4
South Africa	13.3	14.7	15.9	5.8	NA

Source: ECA secretariat estimates based on the World Bank's World Debt Tables 1994-1995, World Economic Outlook 1996 and other sources.

a/ Including the Sudan.

b/ Excluding South Africa.

c/ Including South Africa.

representing 71.6 per cent of Africa's gross domestic product compared with 67.1 per cent over the past four years. The debts have become too heavy and the debt-servicing claim over the meagre export revenue has also been high, i.e., about one fifth of export earnings.

36. These general data notwithstanding, the situation has not been identical within the various African groups. The least developed countries, which received greater attention and special treatment, continue to suffer as much (if not more from the same debt burden) as other countries. The debt situation of middle-income African countries, which would have improved considerably given their potential, has not changed because (quite wrongly) their case was not sufficiently considered by the international community during the preparation of debt management programmes. The January 1994 devaluation has made the debt situation of countries of the CFA zone more disturbing. The debt burden has considerably increased in the local currency. However, it has been bearable so far because of a substantial (albeit temporary) increase in bilateral and multilateral grants and facilities.

37. The volume of debt-servicing has stabilized but, with an average of $28 billion over the past four years, it exceeds by far the yearly target of $9 billion recommended under the New Agenda. The variously successful strategies applied so far have laid emphasis on rescheduling (which increases the outstanding debt) and on limited debt cancellation. They have not made it possible really to release or make available to the economies the scarce development finance resources that still come partly from official development assistance.

D. Development of official development assistance

38. From 1973 to 1992, the total official development assistance for all developing countries registered a remarkable stability ranging from 0.32 per cent to 0.34 per cent of donor gross national product. In 1993 and 1994, this percentage dropped below 0.3 per cent of donor gross national product. This is all the more disturbing as it marks a further drift from the United Nations target set at 0.7 per cent of donor gross national product.

39. Official development assistance flows to Africa dropped from almost $25 billion in 1990 to less than $21 billion in 1993. An analysis of the sources of net official development assistance disbursements (see table 6) reveals a drastic drop in transfers from DAC countries, most of which are facing economic difficulties. The Gulf Arab States, which are the major OPEC donors, also experienced a considerably weakened economic and financial situation. This new situation substantially reduced the volume of overall official development assistance resources.

40. Over the past four years, official development assistance has been the essential component of external assistance for most African countries, and more particularly for sub-Saharan countries (see table 9). For countries in sub-Saharan Africa, the resource flows received yearly exceeded $17 billion and the shortfall recorded by North Africa is attributable mainly to the financial straits of OPEC countries. It is obvious that the overall drop in official development assistance arouses much concern, particularly for sub-Saharan countries that attract little private capital. However, the continent's least developed countries, which in fact depend most on official development assistance, were the least affected by this contraction.

41. Bilateral as well as multilateral aid components of official development assistance disbursements to Africa show distinct growth patterns.

42. Bilateral official development assistance to which donors have given priority has dropped drastically in Africa. Its main component is tied assistance. In the past, it has taken the form of a disguised export-oriented assistance, and has gone hand in hand with private investment since it serves as a guarantee for most major contracts, such as those related to building the economic infrastructure. Contrary to Africa, Latin America and Asia present reliable prospects and guarantees for private investment have been their greatest beneficiaries.

43. The grant portion of official development assistance to Africa has also recorded a sharp fall. Nigeria and Zimbabwe both experienced a reduction of $230 million in grants between 1993 and 1994. These new orientations adopted by donor countries with respect to bilateral assistance, show the will to make African countries face up to their responsibilities and the need to take charge of themselves.

Table 6. Total amount of net official development assistance disbursements to African countries members of the African Development Bank, 1990-1993

(In millions of United States dollars)

	1990	1991	1992	1993
All sources considered	24 588.2	24 058.7	23 674.8	20 261.9
DAC countries	15 045.8	15 618.5	15 189.0	12 539.7
OPEC countries	3 072.2	1 068.6	561.5	481.3
Multilateral bodies	6 246.7	7 081.1	7 706.6	7 087.7
including:				
ADF	594.7	612.4	662.7	666.7
IDA	1 901.0	1 924.0	2 011.8	2 149.7
Organizations of Arab countries members of Organization of Petroleum Exporting Countries	59.6	166.2	217.7	153.2

Source: Division of debt notification system, OECD, Paris, January 1995.

Table 7. Net official development assistance disbursements to African subregions, 1990-1993

(In millions of United States dollars)

Regions	1990	1991	1992	1993
North Africa	7 193	6 988	5 428	3 444
Sub-Saharan Africa	17 452	17 162	18 755	17 582
Others	491	532	520	428
Total	25 136	24 682	24 703	21 454
Total (1992 prices)	27 574	26 166	24 703	21 890

Source: OECD, Development Cooperation, 1994 Report, Paris, 1995.

Table 8. Financial resources committed by the United Nations system in Africa, 1991-1993

(In millions of United States dollars)

	1991	1992	1993
Development assistance	2 184	2 456	2 320
Concessional loans	2 039	2 099	2 263
Loans	1 198	876	868
	5 421	5 431	5 451

Source: "Financial resource flows to Africa from the organizations of the United Nations system", discussion paper No. 3, prepared by the United Nations Office of the Special Coordinator for Africa and the Least Developed Countries, 1994.

Table 9. Percentage share of emergency relief in United Nations development assistance to Africa, 1991-1993

	1991	1992	1993
UNHCR	13	11	14
WFP	37	42	40
UNICEF	11	12	14
Total	61	65	68

Source: "Financial resource flows to Africa from the organizations of the United Nations system", discussion paper No. 3, prepared by the United Nations Office of the Special Coordinator for Africa and the Least Developed Countries, 1994.

44. Multilateral official development assistance which represents contributions to international organizations, has developed differently from bilateral official development assistance. Africa for the past years, has greatly depended on multilateral resources which increased from $6.2 billion in 1990 to $7.1 billion in 1993. The main donors have been the United Nations system, the European Union, the ADB Group and IDA.

45. Through ADB, the African Development Fund (ADF) and the Nigeria Trust Fund, the ADB Group undertook, at the level of the continent, to mitigate the inability of countries of the continent to mobilize substantial foreign direct investment funds so as to give them concessional resources, which African countries find increasingly difficult to obtain at the international level. To a certain extent, it supported the economic and institutional reforms carried

out in many member countries of the region through adjustment loans. ADB Group disbursements, which totalled $1.8 billion in 1990, rose to $2.3 billion in 1994.

46. Since the beginning of the decade, the United Nations system has been the main source of Africa's external financial resources and Africa has been the foremost recipient region. Resources committed (development assistance, concessional loans and loans) have remained relatively stable. 6/

47. Within the framework of commitments of the United Nations system in Africa, the budgets of the main organizations involved in relief operations (the Office of the United Nations High Commissioner for Refugees (UNHCR) for refugees, the World Food Programme (WFP) for food relief and the United Nations Children's Fund (UNICEF) for children) on the whole recorded an increase in all United Nations disbursements in respect of development assistance (see table 9) while funds allocated to the United Nations Development Programme (UNDP) and other more development-oriented organizations were reduced.

48. Emergency relief, which is expected to continue rising, is merely short-term assistance granted at the expense of development financing. Indeed, what African countries need is long-term financing that would enable the continent to achieve self-sustained economic growth and face up to the problems with which emergency relief has to grapple.

IV. CONCLUDING REMARKS

49. Despite the efforts made by African countries to improve their use of official development assistance and the expressed concern of developed countries regarding the need to support Africa's development, the total volume of official development assistance to Africa has, since the beginning of the decade, dropped to about $20 billion. This amount is far below the objective set by the New Agenda of $30 billion of official development assistance flows which were expected to increase by 4 per cent yearly.

50. Although accurate data on some countries' performance over the period 1994-1995 and on trends over previous years were not made available, the various objectives of mobilizing financial resources for development under the New Agenda have been only partially achieved, four years after the new programme was launched. Notwithstanding the hardship that several countries consented to in implementing political, economic and social reforms, the overall situation, in 1996, can be summarized as follows: (a) savings and investment rates have remained weak; (b) terms of trade have deteriorated and there has been only a slight improvement in the development of the resources traded within the continent; (c) factors that determine the flow of foreign direct investment has not improved sufficiently to get Africa out of being marginalized with respect to flows of foreign direct investment; (d) the debt stock has not decreased and even though debt service is being paid and has stabilized at around $28 billion, the amount is still triple the ceiling recommended under the New Agenda; and (e) the volume of official development assistance has been declining. At a level of about $20 billion in the early 1990s, official development assistance flows fell short by $10 billion below the minimum recommended under the New Agenda.

51. Based on a growth model covering the period from 1993, a study conducted by ECA in early 1993 7/ on financial resources required for Africa's development in the 1990s predicted that the gross domestic product growth rate would reach 6 per cent by the year 2005. None the less, the assumptions made during that time and hence the conclusions arrived at, contradict today's realities. As compared with the predicted average gross domestic product growth rate of +2.2 per cent in 1993, rising to +4.1 per cent in 1998, the actual growth rate in 1993 was only +1.1 per cent.

52. With a recorded growth of +3.4 per cent in 1994 and +4.5 per cent in 1995, there is hope that future trends will confirm the forecasts. With regard to the projected trade balance deficit of $9.5 billion reaching $34.8 billion in 1998, although the foreign trade imbalance was only $6 billion in 1993 and $8 billion in 1994, the trade volume of exports and imports was about $10 billion short of the model forecasts. Moreover, terms of trade seriously deteriorated over the same period. Foreign direct investment, predicted to reach $7.1 billion in 1993 and $8.9 billion in 1998, amounted to less than $4 billion in 1993 and 1994. The anticipated steps to limit the debt stock and gradually reduce debt-servicing to what it was at the time the New Agenda was launched was not effected and while there has been a reduction in paid-up debt-servicing, the stock has increased and thus compounded further the debt issue in the future.

53. All these pitfalls do not stem from the lack of will and/or efforts but rather from the failure of the African countries and the international community to implement more sustained practical measures. While it is the primary responsibility of African States to bear the bulk of their development burden by tapping as a matter of priority their own financial resources, the rigid international economic environment, the domestic economic hardship and the lukewarm disposition of some creditors to adopt radical measures have constituted obstacles to the mobilization of financial resources and to the development of Africa. Most African countries will be unable to implement the economic reforms required for development without further domestic and foreign financial resources. Nor can Africans and the international community afford to see yet another international initiative for Africa's socio-economic recovery and development fail.

Notes

1/ Official Records of the Economic and Social Council, 1995, Supplement No. 18 (E/1995/38).

2/ Ibid., 1994, Supplement No. 18 (E/1994/38).

3/ Robert G. Kind and Ross Levine, "Finance and Growth: Schumpeter might be right", Quarterly Journal of Economics, volume 108, August 1993.

4/ See "Foreign Direct Investment in Africa", UNCTAD 1995, Current Studies, series A, No. 28.

5/ Report on Africa's external debt situation, p. 18, Contact Group on Africa's (external) debt, OAU/ECA/ADB joint secretariat, 1994.

6/ "Financial resource flows to Africa from the organizations of the United Nations system", discussion paper No. 3, prepared by the United Nations Office of the Special Coordinator for Africa and the Least Developed Countries, 1994.

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